

## Message Text

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INFO OCT-01 EUR-12 ISO-00 EB-07 FRB-03 CIEP-01 /024 R

DRAFTED BY TREASURY:MR. COX/MR. CROSSWHITE/LD

APPROVED BY EUR/NE:PFCANNEY

TREAS:MR. WIDMAN

TREAS:OFFICE OF GEN COUNSEL

TREAS:ONS

EUR/WE:EJBEIGEL

EUR/NE:KHSHIRLEY

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R 141845Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 165089

E.O. 11652: GDS

TAGS: MASS, BE

SUBJECT: F-16 FINANCING

REFERENCE: BRUSSELS 5640

1. TREASURY INDICATES WILLINGNESS TO ISSUE SPECIAL NON-MARKETABLE TREASURY SECURITIES ON A DISCOUNT BASIS TO BELGIAN BANKS AS PART OF A METHOD BY WHICH THE GOVERNMENT OF BELGIUM (GOB) CAN FIX BELGIAN FRANC COST FOR THE DOLLAR COMPONENT OF F-16 CONTRACT. TREASURY NOT PREPARED, HOWEVER, TO TAKE THE EXCHANGE RISK INHERENT IN THE BANK LAMBERT PROPOSAL IN THE EVENT CIRCUMSTANCES ARISE WHICH, IN THE OPINION OF THE GOB, JUSTIFY NON-PAYMENT BY THE GOB UNDER THE PURCHASE CONTRACT. SECURITIES WOULD HAVE TO BE DOLLAR DENOMINATED AND PAYABLE ONLY IN DOLLARS WITHOUT CONDITION. EXCEPT FOR THIS PROVISIO, THE TREASURY PROPOSAL WOULD ACCOMPLISH THE BASIC PURPOSE OF THE BANK LAMBERT PROPOSAL, IF SUPPLEMENTED BY AN AGREEMENT BETWEEN THE GOB AND THE BELGIAN BANKS TO THE EFFECT THAT  
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DOLLARS RECEIVED BY THE BELGIAN BANKS ON THE REDEMPTION

OF THE SPECIAL ISSUES OF TREASURY SECURITIES WOULD BE PRESENTED TO THE GOB FOR CONVERSION AT A RATE SPECIFIED IN THE AGREEMENT BETWEEN THE BANKS AND THE GOB.

2. IF SECURITIES ARE TO BE ISSUED ON A DISCOUNT BASIS, FIXED MATURITIES MUST BE ESTABLISHED IN ORDER TO DETERMINE THE AMOUNT OF DISCOUNT.

3. NORMALLY TREASURY ISSUES NON-INTEREST BEARING DISCOUNTED SECURITIES ONLY FOR MATURITIES OF ONE YEAR OR LESS. AS AN ACCOMMODATION TO THE GOB, TREASURY IS WILLING TO ISSUE DISCOUNTED SECURITIES WITH MATURITIES WHICH WOULD COINCIDE WITH THE DATES OF GOB PROGRESS PAYMENTS UNDER THEIR F-16 PURCHASE CONTRACT. ALTERNATIVELY, TREASURY WOULD BE WILLING TO ISSUE SPECIAL SECURITIES AT PAR, BEARING PREVAILING RATES OF INTEREST ON COMPARABLE MATURITIES, WITH THE PROVISION THAT SEMIANNUAL INTEREST PAYMENTS WHEN DUE WOULD BE INVESTED -- THUS INCREASING THE FACE VALUE OF THE SPECIAL SECURITIES. THIS ALTERNATIVE WOULD MINIMIZE THE AMOUNT OF THE INITIAL INVESTMENT THE SAME AS THE DISCOUNT METHOD, AND WOULD BE PREFERABLE FROM A TREASURY STANDPOINT.

4. RE PARA 2 REFTEL, CONCUR IN PROVIDING THIS INFO TO GOB WITH CONCURRENT ADVICE TO BANK LAMBERT THAT INFO IS BEING GIVEN TO GOB. EMBASSY SHOULD MAKE CLEAR TO GOB THAT THIS IS NOT A U.S. INITIATIVE. U.S. WOULD BE WILLING TO ASSIST IN THIS MATTER ONLY AS AN ACCOMMODATION FOR THE GOB AND IF IT FACILITATES THEIR PAYMENTS IN THE F-16 PROGRAM. IF THE GOB DESIRES TO PURSUE AN ADVANCE FUNDING CONCEPT ALONG THE LINES OF THE BANK LAMBERT PROPOSAL, WITH MODIFICATIONS AS ABOVE, TREASURY WOULD BE WILLING TO ENTER INTO MORE DETAILED DISCUSSIONS. INGERSOLL

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Subject:** F-16 FINANCING  
**TAGS:** MASS, EFIN, BE, US, (LAMBERT, PHILIPPE)  
**To:** BRUSSELS  
**Type:** TE  
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